

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EA-10 NEA-10 IO-13 ISO-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01
DOE-15 NSCE-00 SSO-00 USIE-00 INRE-00 DOTE-00
/128 W

-----020927 291143Z /14/15

O R 290511Z MAR 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 0155
INFO AMEMBASSY BRASILIA
AMEMBASSY MEXICO
AMEMBASSY MONTEVIDEO
AMEMBASSY NEW DELHI
USMISSION GENEVA

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C O R R E C T E D C O P Y (TEXT CORRECTED)

USMTM

E.O. 11652: N/A
TAGS: ETRD MTN KS
SUBJ: USG HANDLING OF AUTOMOTIVE EXPORT REQUIREMENTS IN MTN

REF: STATE 77500

1. INFORMATION QUOTED REFTEL RE ROK EXPORT REQUIREMENTS
AFFECTING FOREIGN INVESTORS IS CORRECT. HOWEVER, AUTOMOTIVE
FIELD APPEARS TO BE EXCEPTED FROM SUCH REQUIREMENTS AT THIS
TIME.

2. THREE US INVESTMENTS IN THE AUTOMOTIVE FIELD IN KOREA ARE
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GENERAL MOTORS, AMERICAN MOTORS, AND DANA INDUSTRIES. NO
REPEAT NO AMERICAN REPRESENTATIVE IS IN KOREA WITH SHINJIN
JEEP (AMERICAN MOTORS) AT THE MOMENT, BUT INASMUCH AS PRODUCTION
IS ORIENTED TOWARD MILITARY VEHICLES, AND ONLY ONE JEEP WAS
EXPORTED IN 1977, IT IS UNLIKELY THAT ANY EXPORT REQUIRE-
MENTS HAVE BEEN PLACED ON THAT FIRM. REVIEW OF ROKG
APPROVAL OF SAEHAN MOTORS (GMC) INVESTMENT IN 1972 REVEALS

NO REPEAT NO EXPORT REQUIREMENTS. AMERICAN EXECUTIVE VICE PRESIDENT FOR GMC INFORMS US THAT HE IS UNDER NO REPEAT NO COMPULSION TO EXPORT. BUT AS A MEMBER OF KOREAN BUSINESS COMMUNITY HE SENSES THAT ROKG DESIRES THAT SAEHAN EXPORT SOME OF ITS PRODUCTS ARE SO STRONG THAT FIRM WOULD RISK LOSS OF "GOODWILL" IF IT DIDN'T TRY TO EXPORT. HENCE, IN 1977, SAEHAN EXPORTED 10,000 ENGINES TO GMC'S AUSTRALIAN SUBSIDIARY AND EXPORTED LIMITED NUMBERS OF AUTOS AND/OR BUSES AND TRUCKS TO SUCH COUNTRIES AS LIBERIA, KUWAIT, QATAR, IRAN, ECUADOR AND OMANI REPUBLIC. ROKG IS AWARE THAT SAEHAN'S EXPORT OPPORTUNITIES ARE RESTRICTED BY PRESENT INABILITY TO MEET EMISSION STANDARDS OF MOST ADVANCED COUNTRIES, ETC., AND GMC IS NOT BURDENED TO ANY EXTENT BY NEED TO EXPORT. THIRD U.S. INVESTMENT IS KOREA SPICER CORP. (DANA INDUSTRIES) WHICH MANUFACTURES TRANSMISSIONS, AXLES AND SIMILAR PARTS. ACCORDING TO AMCIT REP, FIRMS ORIGINAL INVESTMENT APPROVAL BY ROKG CONTAINED A 20 PERCENT EXPORT REQUIREMENT WHICH IT HAS NEVER BEEN ABLE TO MEET. AFTER SEVERAL YEARS OF ANNUAL PRESENTATIONS TO ROKG ON WHY IT COULD NOT REPEAT NOT MEET ITS INVESTMENT CONDITIONS, THE 20 PERCENT EXPORT REQUIREMENT WAS CANCELLED IN 1977, AND NO REPEAT NO CURRENT EXPORT REQUIREMENT EXISTS. INTERESTINGLY, BECAUSE OF ORDERS FROM JAPAN, THE FIRM EXPECTS THIS YEAR FOR THE FIRST TIME ACTUALLY TO EXPORT 20 PERCENT OF ITS PRODUCTION.

3. EXPORT REQUIREMENTS ARE ESTABLISHED CONTRACTUALLY IN THE COURSE OF NEW FOREIGN INVESTMENT NEGOTIATION RATHER THAN IN LIMITED OFFICIAL USE

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CONSEQUENCE OF LAW. THE RATIONALE FOR THEIR EXISTENCE IS THAT KOREA MUST EXPORT OR DIE. EXPORT REQUIREMENTS HAVE NO REPEAT NO RELATIONSHIP TO LOCAL MARKET PROTECTION WHICH DERIVES FROM THE ANNUAL TRADE PLAN. WHEN AN INFANT PRODUCTIVE INDUSTRY IS STARTED, WHETHER BY FOREIGN OR DOMESTIC INVESTMENT, ROKG GIVES PROTECTION TO ITS PRODUCTS BY LISTING THEM ON ITS TRADE PLAN (NEGATIVE IMPORT LIST) REGARDLESS OF ANY EXPORT REQUIREMENTS THAT MAY HAVE BEEN INCORPORATED IN THE INVESTORS' CHARTER. SNEIDER

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